Master Promissory Note Print Specifications

The Master Promissory Note (MPN) has a unique 21-character MPN Identification Number (MPN ID). No dollar amount is printed on the MPN, and one note can be used for multiple subsidized and unsubsidized loans.

Following are the specifications for printing the variable data on the MPN:

Note: The following fields correspond to numbered data elements on the preprinted paper MPN.

Section A: To Be Completed By The Borrower (Print this label **on line 1** in italics.)			
Form Label/Position	**Label Line #**	**Field Name**	**Print Instructions**
1. Driver's License State and Number	2	Student Borrower's Driver's License State and Number	From left to right, print Student Borrower's Driver's License State and Number separating them by a dash **on line 3**
2. Social Security Number	2	Student Borrower's SSN	Print the Student Borrower's SSN in 999-99-9999 format **on line 4**
3. E-mail Address	4	Student Borrower's Current E-mail Address	From left to right, print the Student Borrower's E-mail address **on line 5**
4. Name and Address (street, city, state, zip code)	6	Student Borrower's Last Name, First Name, Middle Initial	From left to right, print the Student Borrower's Last Name, First Name, and Middle Initial Print a comma and space following the Last Name and a space after the First Name **Following the Middle Initial, print the label: <-Last, First, M.I.**
4. Name and Address (continued)	6	Student Borrower's Permanent Address **OR** Student Borrower's Local Address	From left to right, print the Student Borrower's Street Address **on line 9**
4. Name and Address (continued)	6	Student Borrower's Permanent City, State, and Zip Code **OR** Student Borrower's Local City, State, and Zip Code	From left to right, print the Student Borrower's City, Mailing State, and Zip Code **on line 10** Separate each field with a space and follow city with a comma

Master Promissory Note Print Specifications (Continued)

		Section A, continued	
Form Label/Position	**Label Line #**	**Field Name**	**Print Instructions**
5. Date of Birth	7	Student Borrower's Date of Birth	Print in MM/DD/YYYY format **on line 7**
6. Area Code/Telephone No.	8	Student Borrower's Permanent Telephone Number	Print in (999) 999-9999 format **on line 9**

		Section B: To Be Completed By The School (Print this label **on line 26** in italics.)	
Form Label/Position	**Label Line #**	**Field Name**	**Print Instructions**
9. School Name and Address	27	School Name	From left to right, print the School Name associated with the DL school code on the record **on line 28**
9. School Name and Address (continued)	27	School Address	From left to right, print the School's Street Address associated with the DL school code **on line 29**
9. School Name and Address (continued)	27	School's City, State, and Zip Code	From left to right, print the School's City, State and Zip Code **on line 30** Separate each field with a space and follow city with a comma
10. School Code/Branch	27 28	Direct Loan School Code	Print the Direct Loan School Code on the Loan Record **on line 29**
11. Identification No.	27	Master Promissory Note identification number, use 21 character Loan ID of one of the loans associated with this Master Promissory Note with loan type code field of the Loan ID replaced with "M" instead of "S" or "U"	Print in 999999999-M-99X99999-9-99 format **on line 30**

Printing the PLUS Loan Application and Promissory Note

The Federal Direct PLUS Loan Application and Promissory Note requests demographic information from the parent borrower, as well as references for the collection cycle. It also includes a request for information from the student and school.

Once a loan origination record is established, a school may either print a Federal Direct PLUS Application and Promissory Note with the pre-supplied information or provide the borrower or student with a blank form. The parent borrower and the student review, complete, and sign the application.

As completed Direct PLUS Loan Application and Promissory Notes are received from students or parents, enter the application data into the Direct Loan System and continue with the process explained above.

The U.S. Department of Education provides copies of a standard, approved Federal Direct PLUS Loan Application and Promissory Note to participating schools. A copy can be found in Appendix D. However, the school may create its own form as long as it is identical in format and wording to the one provided by the U.S. Department of Education. The form must be approved by the LOC. A packet for format and wording is available by contacting the LOC at 800/848-0978.

When printing the Direct PLUS Loan Application and Promissory Note, we recommend the use of Courier, 10 point, 12 pitch. Other settings may cause delays in the processing of the school's notes.

A minimum of two copies must be printed, one as the borrower copy and the other as the LOC copy. Additional copies can be printed, if desired, as school copies.

When mailing the PLUS Loan Application and Promissory Note, we recommend the use of a #10 business window envelope.

Use the following specifications to develop a printing system. The specifications are similar to those used to develop the EDExpress Direct Loan Software.

Direct PLUS Loan Application and Promissory Note Print Specifications

The following specifications are for printing the variable data on the PLUS Application/Promissory Note. If specific data is not present, leave the field blank.

Note: The following fields correspond to numbered data elements on the paper PLUS Promissory Note:

Section A: *To Be Completed By Borrower* (Print this label **on line 1** in italics.)			
Form Label/Position	**Line #**	**Field Name**	**Print Instructions**
1. Identification Number	2	Loan ID	Print Loan ID of P type Loan record in 999999999-X-99-X99999-9-99 format **on line 4**
1. Identification Number (continued)	2	Promissory Note Print Sequence #	Print Promissory Note Sequence # of P type Loan record in 99 format **on line 4**
2. Social Security Number	2	Borrower's Current SSN	Print the Borrower's SSN in 999-99-9999 format **on line 4**
3. Loan Amt. Requested	2	Loan Amount Requested	Print in $99999 format **on line 4**
4. Date of Birth	6	Borrower's Date of Birth	Print in MM/DD/CCYY format **on line 6**
5. U.S. Citizenship Status (Check One) 1 [ ] U.S. Citizen or national 2 [ ] Permanent resident / other eligible alien 3 [ ] Neither 1 nor 2 If 2, Alien Registration No.	6 7 8 9	Citizenship Status and Alien Registration Number	If 1, print X **on line 7** in the left [ ] If 2, print X in **on line 8** in the [ ], and print Alien Registration Number **on line 9** following the label A999999999 format If 3, print X **on line 7** in the right [ ] , however, in this case a Promissory Note should not be printed

Direct PLUS Loan Application and
Promissory Note Print Specifications (Continued)

Section A, continued

Form Label/Position	Line #	Field Name	Print Instructions
6. Name and Address (last, first, middle initial) (street), (city, state, zip code)	7 8 9	Borrower's Last Name, First Name, Middle Initial	From left to right, print the Borrower's Last Name, First Name, and Middle Initial **on line 10** Print a comma and space following Last Name, and a space after First Name
6. Name and Address (continued)	7 8 9	Borrower's Permanent Address	From left to right, print the Borrower's Street Address **on line 11**
6. Name and Address (continued)	7 8 9	Borrower's Permanent City, State, and Zip Code	From left to right, print the Borrower's City, Mailing State, and Zip Code **on line 12** Separate each field with a space and follow city with a comma Left justify within each field
7. Driver's License (State-Number)	10	Borrower's Driver's License State and Number	Print Borrower's Driver's License State and Number separating them by a dash **on line 11**
8. Area Code/Telephone Number	12	Borrower's Permanent Telephone Number	Print in (999) 999-9999 format **on line 13**
9. Loan Period (MMDDYYYY to MMDDYYYY)	14	Loan Period Start Date and Loan Period End Date	Print Loan Period Start and End Dates separated by two spaces in MM/DD/YYYY format **on line 15**

Direct PLUS Loan Application and
Promissory Note Print Specifications (Continued)

Section B: To Be Completed By School (Print this label **on line 16** in italics.)

Form Label/Position	Line#	Field Name	Print Instructions
10. School Name and Address	17	School Name	Print the School Name associated with the DL school code on the record **on line 18**
10. School Name and Address (continued)	17	School's Street Address	From left to right, print the School's Street Address associated with the DL school code **on line 19**
10. School Name and Address (continued)	17	School's City, State, and Zip Code	From left to right, print the School's City, State, and Zip Code **on line 20** Separate each field with a space and follow city with a comma
11. Loan Period	17	Loan Period Start Date and Loan Period End Date	Print Loan Period Start and End Dates separated by two spaces in MM/DD/CCYY format **on line 18**
12. School Code/Branch	19	Direct Loan School Code	Print the DL school code **on line 19**
13. Certified Loan Amount	20	Loan Amount Approved	Print in $99999 format **on line 20**

Direct PLUS Loan Application and
Promissory Note Print Specifications (Continued)

Section B, continued			
Form Label/Position	**Line #**	**Field Name**	**Print Instructions**
14. Anticipated Disbursement Date(s) (MMDDYYYY) 1st	22 23	1st Anticipated Disbursement Date	Print 1st Anticipated Disbursement Date in MM/DD/CCYY format if disbursement cancellation code is blank **on line 23**
14. Anticipated Disbursement Date(s) (MMDDYYYY) 2nd	22 23	2nd Anticipated Disbursement Date	Print 2nd Anticipated Disbursement Date in MM/DD/CCYY format if disbursement cancellation code is blank **on line 23**
14. Anticipated Disbursement Date(s) (MMDDYYYY) 3rd	22 23	3rd Anticipated Disbursement Date	Print 3rd Anticipated Disbursement Date in MM/DD/CCYY format if disbursement cancellation code is blank **on line 23**
14. Anticipated Disbursement Date(s) (MMDDYYYY) 4th	22 23	4th Anticipated Disbursement Date	Print 4th Anticipated Disbursement Date in MM/DD/CCYY format if disbursement cancellation code is blank **on line 23**

Section C: To Be Completed By Student (Print this label **on line 24** in italics.)			
Form Label/Position	**Line #**	**Field Name**	**Print Instructions**
15. Name (last, first, middle initial)	25	Student's Last Name, First Name, and Middle Initial	From left to right, print the Student's Last Name, First Name, and Middle Initial **on line 26** Print a comma and space following Last Name, and a space after First Name
16. Social Security Number	25	Student's Current SSN	Print in 999-99-9999 format **on line 22**

Direct PLUS Loan Application and
Promissory Note Print Specifications (Continued)

Section C, continued			
Form Label/Position	**Line #**	**Field Name**	**Print Instructions**
17. U.S. Citizenship Status (Check One) 1 [ ] U.S. Citizen or national 2 [ ] Permanent resident / other eligible alien 3 [ ] Neither 1 nor 2 If 2, Alien Registration Number	27 28 29 30	Student's Citizenship Status/Alien Registration Number	If 1, print X **on line 28** in the left [ ] If 2, print X in **on line 29** in the [ ], and print Alien Registration Number **on line 30** following the label A999999999 format If 3, print X **on line 28** in the right [ ] However, in this case a Promissory Note should not be printed
18. Date of Birth	28	Student's Date of Birth	Print in MM/DD/CCYY format **on line 29**

Promissory Note Paper Manifests

Creating Promissory Note Paper Manifests

All promissory notes must be mailed to the LOC and accepted before the loan is "booked." The hard copy promissory notes must be accompanied by a paper manifest that lists the borrower's name and Identification number for each promissory note in the shipment. A paper certification is provided along with the paper manifest to be signed by an official at the school. Master Promissory Notes and PLUS Promissory Notes must be batched separately and a separate paper manifest created for each. Additionally, separate batches (manifests) must be created for each DL school code. The LOC returns the manifest to the school address on the promissory note unless the school indicates another address on the manifest.

The format for the Master Promissory Note paper manifest and the PLUS paper manifest are provided in Appendix D.

Software developers must adhere to these formats. Additionally, the following guidelines must be performed:

- The Report Date (in MM/DD/YYYY format) and the Report Time (in HH:MM:SS format) indicate when the manifest was produced.
- A page number starting with 1, incremented by 1, for each subsequent page printed

Records are printed in last name alphabetical order, or in numerical borrower ID order. The borrower's name is printed in last name, first name, and middle initial order. The Loan ID associated with the borrower's name is printed.

The number of notes for shipping indicates the number of promissory notes covered by the paper manifest. It is only printed on the final page of the paper manifest.

The certification statement, DL school code, school name, signature block, and FAA (Financial Aid Administrator) name are only printed on the last page.

Receiving Promissory Note Acknowledgments

The electronic manifest is eliminated. However, the LOC continues to return an electronic file (DIPA02OP) containing the acknowledgement of all promissory notes. All notes, the Master Promissory Note and the PLUS Promissory Notes, are acknowledged with the DIPA02OP message class. Unlike other batch types, batch integrity is not maintained by the LOC for promissory notes. Acknowledgments do not match one to one with paper manifests sent by the school.

The DIPA02OP file contains a code in field 4 (Promissory Note Status) that returns one of three values: A (Accepted), R (Rejected), or X (Pending). The three categories of reason codes are associated with the actions the school is required to take to resolve the rejected notes.

Promissory Note Rejects

These codes indicate why the promissory note was rejected. A new promissory note must be printed with corrected data. The note must be resubmitted to the LOC and included in a subsequent batch.

Promissory Note Reject codes are mainly handled through a manual process. However, there are two electronic error codes that are received at the LOC, error codes "01" and "S." Once the Promissory Notes are received in the mailroom, they are manually inspected for missing or incorrect information. A generic checklist is used. If it is determined that there are errors or that information is missing, the checklist is marked in the appropriate blank and returned to the school or borrower (Standard Origination schools). A copy of the Checklist is included in the Appendix.

Promissory Note Process

```
  ┌───────┐        ┌─────────────────────────────────────┐
  │ Start │───────▶│ School receives signed Promissory    │
  └───────┘        │ Note and enters data into the        │
                   │ institutional system.                │
                   └─────────────────────────────────────┘
                                    │
                                    ▼
                   ┌─────────────────────────────────────┐
                   │ School batches Promissory Note and   │
                   │ prints off a paper shipping manifest.│
                   └─────────────────────────────────────┘
                                    │
                                    ▼
                   ┌─────────────────────────────────────┐
                   │ School mails the paper shipping      │
                   │ manifest, with the batched Promissory│
                   │ Note, to the Loan Origination Center │
                   │ (LOC).                               │
                   └─────────────────────────────────────┘
                                    │
                                    ▼
                   ┌─────────────────────────────────────┐
                   │ Loan Origination matches the paper   │
                   │ shipping manifest and the Promissory │
                   │ Note.                                │
                   └─────────────────────────────────────┘
                                    │
                                    ▼
                   ┌─────────────────────────────────────┐
                   │ LOC reviews data and sends back a    │
                   │ Promissory Note Acknowledgment.      │
                   └─────────────────────────────────────┘
                                    │
                                    ▼
                   ┌─────────────────────────────────────┐
                   │ School retrieves Promissory Note     │
                   │ Acknowledgment via the SAIG software │
                   │ (EDconn32) or mainframe transmission.│
                   └─────────────────────────────────────┘
                                    │
                                    ▼
```

End of Promissory Note processing. ◀──Yes── Accepted Promissory Note ──No──▶ Rejected Promissory Note (See reject reason for necessary action to be taken in Custom Edits Section and resubmit Promissory Note.)

No
↓

Pending Promissory Note (Promissory Note is pending until an accepted Loan Origination Record is received at the LOC.)

Promissory Note Anticipated Disbursement Values

Promissory note anticipated disbursement values (DIPA02OP, fields 6–25) are returned to **all** schools. When a borrower adjusts the Loan Amount Requested on the paper promissory note (**PLUS only**) and returns the note to the LOC, the LOC recalculates the anticipated disbursements. If amounts are unchanged, these fields are returned with the amounts indicated in the Loan Origination Record.

Option 2 and Option 1 schools **may** recalculate and store amounts changed on the promissory note before submitting the note to the LOC.

Funds Drawdown

Tracking Cash and Receipt of Cash

Note: See Custom Overview Section for definitions of Standard Origination, Option 1, and Option 2 schools.

Tracking Cash

Schools must maintain an accurate cash balance record by tracking fund drawdowns and return of excess cash transactions. A Receipt of Cash transaction is a result of Direct Loan funds being transferred to the schools' account from the Grants Administration Payment System (GAPS). An Excess Cash transaction is a result of funds being returned to the LOC as directed by cash management regulations. Each transaction should be stored as a unique record. Multiple transactions should not be considered in the aggregate.

Receipt of Cash

As the funds are received, the school needs to track the receipts of cash. The school must create one cash receipt record for each drawdown received from the GAPS and must assign a year indicator. Cash receipts (drawdown) cannot be combined even if received on the same day.

Return of Excess Cash (Return of Drawdown Funds)

A school must return undisbursed drawdown funds to the U.S. Department of Education. The school can either return undisbursed funds by check to the LOC or transmit funds by wire through the Federal Reserve Bank. The school must also assign a year indicator. The school must create one return of excess cash record for each check or wire transfer returned. Return of excess cash transactions can be combined if returned on the same day.

Note: For more details on Tracking Cash, Receipt of Cash, and Return of Excess Cash see the Direct Loan School Guide and the appropriate Direct Loan Bulletins.

Disbursement

For Option 2 schools, once the school has acknowledgment that a completed and signed promissory note is on file, and the borrower meets eligibility requirements, the school can make a loan disbursement to the student or parent (either by check or by crediting the student's account). However, for Standard Origination and Option 1 schools there must be an accepted promissory note on file at the LOC.

Schools submit a file (DESD02IN) containing disbursement activity by Loan ID. Each actual disbursement transaction is considered by the LOC to be a unique transaction and is treated as such for reconciliation purposes. For example, once a disbursement is submitted to the LOC, any modification to the disbursement amount requires another disbursement record. Schools should store each transaction submitted to the LOC on their databases.

The LOC edits the information against the loan origination record data stored on its system. See the Disbursement Reject Codes table in this guide for a list of LOC edits.

The LOC returns an acknowledgment (DIOD02OP) to the school indicating whether or not each disbursement record is accepted. This acknowledgment is the same record layout as the disbursement export file. The school may receive a record from the LOC indicating that the disbursement record is rejected. The school needs to resolve the reject and retransmit it to the LOC.

The cancellation process is replaced by a process of adjusting individual disbursements and/or Loan Amount Approved to zero. This provides the schools more flexibility by simply recording and sending the LOC an upward adjustment if the loan or disbursement is to be re-activated. There is no longer the record type C = Canceled Disbursement (Actual). Instead, disbursements are adjusted to $0.

Disbursement type "Q," Adjusted Disbursement Date, is for making adjustments to the actual disbursement date. The "Q" transaction can only be used after the school has sent an actual disbursement and received the disbursement acknowledgment from the LOC.

Disbursement record types "L" and "M" are to assist in determining when a disbursement activity has booked at the LOC. These record types are returned in the #B batch type.

Record type "P" is used to indicate payments received from the borrower at Servicing within 120 days of disbursement. If the borrower makes a payment to Servicing, this is indicated by a negative amount. If there is a reversal of the payment, this is indicated by a positive amount. This record type is returned in the SP batch type.

Disbursement Record Types

The six kinds of Disbursement Records are as follows:

Disbursement	Disbursement Activity D (#H)
Adjusted Disbursement Amount	Disbursement Activity A (#H)
Adjusted Disbursement Date	Disbursement Activity Q (#H)
Booking disbursement	Disbursement Activity L (#B)
Booking Adjustment	Disbursement Activity M (#B)
Servicer Refund	Disbursement Activity P (SP)

A Disbursement record contains data for the initial disbursement for a given disbursement number.

An Adjusted Disbursement Amount record is transmitted to the LOC when the amount of a disbursement needs to be increased or decreased. This includes disbursements being adjusted to zero. Refer to the DL School Guide and appropriate DL Bulletins for further information

An Adjusted Disbursement Date record is transmitted to the LOC when the date of an original disbursement needs to be changed.

A Booking Disbursement notification is transmitted to the school when the disbursement books at the LOC.

A Booking Adjustment notification is transmitted to the school when the adjustment amount books at the LOC.

A Servicer Refund Transaction is transmitted to the school when the LOC receives notification from Servicing that a payment was sent to Servicing by the borrower within 120 days of disbursement.

Process Loan and Disbursement Adjustments to $0 (Making a Loan Inactive)

Adjusting loans to $0 occur for a variety of reasons:

- Student no longer attending school

- Student or parent decides not to borrow after a loan has been originated

- School needs to change the Loan Origination Fee

- Student or parent no longer wants, or is entitled to, the entire loan or a specific loan disbursement

To adjust an entire loan to $0 (**making a loan inactive**), perform the following:

- Reduce actual disbursements down to zero

- Send a Loan Origination Change Record adjusting the Loan Amount Approved to $0

All activity can be generated and transmitted on the same day.

The anticipated disbursement amounts are reduced down to zero by the LOC when the Loan Amount Approved is changed to zero.

When an entire loan is adjusted to $0, actual disbursement(s) are already made, and the borrower returns the money within 120 days of disbursement, all principal and fees are eliminated. This is also done to comply with regulatory or statutory requirements. Likewise, when a disbursement is adjusted to $0, the principal and fees for that disbursement are eliminated. If an individual disbursement is adjusted to $0, that change is sent as a disbursement record.

Adjusting a Loan to $0 to Change the Loan Origination Fee

- Adjust any actual disbursement to $0. Send a Loan Origination Change Record adjusting the Loan Amount Approved to $0. (The fee can also be adjusted at this time. Sending the fee in this step is optional if it is sent on the second step in the specified order). These records can be processed in the same cycle.

- Send the change record to adjust the fee. Adjust the entire loan back up. (The change for the origination fee must be the 1st change on the change record to process the fee correctly. If you have multiple change records being transmitted, the origination fee change must be the first change on the first change record.)

Timing

For Option 1 and 2 schools, disbursement records are sent after the school has received a signed valid promissory note from the borrower. For Standard schools, disbursement records are sent to the LOC after an accepted promissory note acknowledgement is received for the borrower. Schools should ensure that the disbursement record cycle is complete at a record level before transmitting change records for adjustments to $0.

Sequence of Disbursement Records

The LOC sorts and processes disbursement records by Loan ID, Disbursement Number, and Disbursement Sequence Number. Remember, disbursement activity must be submitted to the LOC within 30 days of the transaction date.

Confirmation Flag (For Schools in the Confirmation Pilot)

Schools participating in the Confirmation Pilot receive authorization from the borrower for the disbursement of funds under a Direct Subsidized Loan or a Direct Unsubsidized Loan. An Confirmation Flag exists on the Disbursement/Disbursement Acknowledgment. This flag indicates that the borrower at the school has confirmed the disbursement.

Disbursement Acknowledgments From the LOC

The LOC returns one acknowledgment record for each Disbursement Record submitted by the school. Each record in the export file is acknowledged in the import file. The import file header contains the batch ID of the export file. The acknowledgment record is in the same format as the Disbursement Record. If the LOC calculates different amounts than reported by the school, these amounts are returned in the acknowledgment. If there is no change to the amounts, these fields are returned blank in the DIOD02OP file.

Note: The disbursement acknowledgment date is always blank on the disbursement record (DESD02IN) going to the LOC. Please do not zero fill.

The disbursement acknowledgment date is provided by the LOC in the disbursement acknowledgment (DIOD02OP) transmitted from the LOC.

Disbursement Process

Start

Loan Origination record(s) and Promissory Note(s) accepted. The next step in the process is making the actual disbursement(s).

School posts disbursements to the student's records within the institutional system.

School batches disbursement records and transmits to the Loan Origination Center via SAIG software (EDconn32 or mainframe transmission).

Loan Origination Center receives the disbursement record.

Loan Origination Center sends back Disbursement Acknowledgment file to the school.

School uploads Disbursement Acknowledgment into institutional system upon receipt via SAIG software (EDconn32 or mainframe transmission).

Is Disbursement Acknowledgment an Accepted Record?

No

Disbursement rejected. Make necessary corrections and resubmit disbursement record to LOC.

Yes

End of Disbursement Process.

Booking Notification Process

```
                    ( Start )
                        |
                        v
    +-------------------------------------+
    |  Loan Origination Center            |
    |  (LOC) books loan after             |
    |  Loan Origination,                  |
    |  Promissory Note, and               |
    |  First Actual Disbursement          |
    |  are accepted.                      |
    +-------------------------------------+
                        |
                        v
    +-------------------------------------+
    |  LOC generates Booking              |
    |  Notification and transmits         |
    |  to the school                      |
    |  (DIOD02OP Message                  |
    |  Class #B-Batch Type).              |
    +-------------------------------------+
                        |
                        v
    +-------------------------------------+
    |  School retrieves Booking           |
    |  Notification via SAIG              |
    |  software (EDconn32 or              |
    |  mainframe transmission)            |
    |  and imports into the               |
    |  institutional system.              |
    +-------------------------------------+
                        |
                        v
    +-------------------------------------+
    |  Update disbursement                |
    |  history with Booking               |
    |  Notification transaction           |
    |  on school system.                  |
    +-------------------------------------+
                        |
                        v
                     ( End )
```

Servicer Refund Process

```
                                    ( Start )
                                        |
                                        v
                          +---------------------------+
                          | Student mails payment to  |
                          |         servicer.         |
                          +---------------------------+
                                        |
                                        v
                          +---------------------------+
                          | Servicer inputs payment   |
                          |   into servicing system.  |
                          +---------------------------+
                                        |
                                        v
( End )                              /  Is  \
   ^                               / payment \
   |                              /  within   \
+----------------------+  No     /  120 days   \
| Servicing considers  |<-------<   of any      >
| transaction a        |         \ disbursement?/
| payment.             |          \            /
+----------------------+           \          /
   ^                                 \  Yes  /
   | No                                 |
   |                                    v
  / \                            / Does the  \
 /   \                          / borrower have\
/ Apply\                       /  at least one  \
\ as    \  No                 <   Direct Loan    >
/cancel- \<------------------  \  in repayment? /
\ lation. /                     \              /
 \       /                       \   Yes    /
  \     /                            |
   \   /                             v
    \ /                   +---------------------------+
     | Yes                | If there are Direct Loans |
     |                    | in repayment, the borrower|
     |                    | must request that they be |
     |                    | applied as cancellation,  |
     |   +-------------+  | otherwise they are to be  |
     +-->| Servicer    |<-| treated as payment.       |
         | remits      |  +---------------------------+
         | refund      |
         | transaction |                    ( End )
         | to LOC.     |                       ^
         +-------------+                       |
              |                                |
              v                                |
   +-------------+  +------------------+  +------------------+
   | LOC edits   |  | School retrieves |  | School updates   |
   | and stores  |  | transaction      |  | disbursement     |
   | refund on   |  | from SAIG        |  | history on the   |
   | database and|->| software         |->| institutional    |
   | transmits   |  | (EDconn32 or     |  | system with      |
   | refund      |  | mainframe        |  | Servicer Refund  |
   | transaction |  | transmission)    |  | transaction.     |
   | to the      |  | (DIOD02OP Message|  +------------------+
   | school.     |  | Class SP-Batch   |
   +-------------+  | Type).           |
                    +------------------+
```

School Reconciliation

Schools must reconcile the school's Direct Loan records on file at the LOC with the school's internal Direct Loan records. This process is School Reconciliation and should be performed by the school on a monthly basis. For more details, see the Direct Loan School Guide.

School Reconciliation for 2001–2002 Direct Loan School Account Statement (DLSAS)

The LOC initiates the reconciliation process. On a monthly basis, the LOC sends a Direct Loan School Account Statement (DLSAS) to each school (designated by DL school code) in the Direct Loan program. This electronic file may be imported and formatted for printing to look similar to a bank statement. The DLSAS reports on the LOC data on cash balances, cash details, booked loans, and booked or unbooked disbursement transactions. Six types of reconciliation data are sent to the schools: Year-To-Date Cash Summary, Year-To-Date Disbursement Summary by Loan Type, Monthly Cash Summary, Monthly Disbursement Summary by Loan Type, Cash Detail, and Loan Detail. Each school is responsible for reviewing the monthly statement to ensure the accuracy of the data. This data must also be reconciled to the school's internal student account records and bank records.

School Options

A school may elect to receive the DLSAS file with Year-To-Date Cash Summary, Year-To-Date Disbursement Summary by Loan Type, Monthly Cash Summary, Monthly Disbursement Summary by Loan Type, and Cash Detail sections on the monthly School Account Statement, omitting the Loan Detail records. The Loan Detail records are optional whereas the other record types are mandatory for the DLSAS. Schools initially receive the full file; contact the LOC if you want to receive the file without the Loan Detail records.

Additionally, a school may elect to send the LOC an electronic file, the Optional Loan Detail Exception File (DERC##IN), with Year-to-Date (YTD) unbooked transactions or booked transactions for a particular month. The LOC compares the school's data sent in this file with that of the LOC's. A preformatted Loan Detail Exception Report for Booked (ED01##OP) or Unbooked (ED02##OP) loans is returned to the school if there are discrepancies or exceptions to be resolved. This process assists the schools in resolving discrepancies found while reviewing the monthly DLSAS. A school initiates this process simply by sending the Loan Detail Export file to the LOC.

Resolving Discrepancies

These two processes, the DLSAS and the Optional Loan Detail Exception File, assist the schools with reconciling their data with the data at the LOC. When discrepancies are found, schools should perform the following:

- Ensure that all origination, promissory note, and disbursement processing is complete.

- Export all pending data batches for origination records, promissory notes, and disbursements.

- Import all pending data batches to update the accepted status and booked status flags on your school's system.

Custom schools and software providers may develop reports to resolve discrepancies on the DLSAS. A sample DLSAS report with description is provided in Appendix A.

Up-front Interest Rebate Implementation for 2001 –2002

To assist you in making system modifications for the 2001–2002 Program Year implementation of the up-front interest rebate, we are providing you with this section of the Custom System Requirements to identify impacts to your system, especially disbursements. The section includes the business rules and calculations for gross disbursement, loan fee, net disbursement, and interest rebate amounts. The net disbursement and interest rebate amount calculations are new for Program Year 2001–2002 and forward because of the up-front interest rebate program.

Business Rules:

- An up-front interest rebate amount is calculated at the disbursement level by the schools for each Direct Subsidized, Direct Unsubsidized and Direct PLUS loan.

- The up-front interest rebate percentage that is in effect starting with 2001–2002 Direct Loans is 1.5 percent.

- The current method to calculate individual Gross Disbursement Amounts and the current rounding logic remain as is. The variance is still applied to the last anticipated disbursement.

- The method to calculate the Net Disbursement Amount and Interest Rebate Amount is new. The new calculations are explained below.

- The resulting Loan Fee Amount and Interest Rebate Amount are truncated. Truncated means the cents are removed and the remaining whole dollar is the amount to use. Do not round up or down.

- When calculating the Combined Fee/Interest Rebate Amount and the Loan Fee Amount, take all results out 3 decimal places to ensure consistent results in automated tools such as MS Excel.

- Twenty new 5-byte fields for the Anticipated Disbursement Interest Rebate Amount are added to the 2001–2002 LOR layout for each anticipated disbursement. The LOR acknowledgment has not changed.

- Two new 5-byte fields, Disbursement Actual Interest Rebate Amount and Disbursement Actual Interest Rebate Amount-LOC, are added to the 2001–2002 Disbursement record layout.

- The size of the Disbursement and Disbursement Acknowledgment record layouts is unchanged and remains 152 bytes.

- Schools send to the LOC the gross disbursement amount, loan fee amount, and net disbursement amount for anticipated and actual disbursements. Additionally, they are sending the interest rebate amount for both anticipated and actual disbursements.

Gross Disbursement Calculations

Gross disbursement calculations do not change with the interest rebate implementation.

When determining gross disbursement amounts for a loan, dollar figures are rounded to the nearest dollar and all disbursements are equal with the exception of the last disbursement, in some cases. This is due to any variance being applied to the last disbursement.

When computing gross disbursement amounts, use the following specifications:

Step 1: Individual disbursement amount is Loan Amount Approved divided by the total number of disbursements. If necessary, truncate any positions that exist past 2 decimal places.

Step 2: Round the individual disbursement amount. Rounding occurs at the 1st and 2nd decimal places to the nearest dollar.

If the 1st and 2nd decimal places are 50 or greater, increment the 1st digit to the left of the decimal sign by one.

If the 1st and 2nd decimal places are less than 50, do not change the 1st digit to the left of the decimal sign.

Step 3: To determine the amount of the last disbursement, multiply the individual disbursement amount by the number of disbursements.

If the sum of the disbursements is greater than the Loan Amount Approved, subtract the difference from the last disbursement.

If the sum of the disbursements is less than the Loan Amount Approved, add the difference to the last disbursement.

Example 1: Determining Gross Disbursement Amount for two disbursements

Loan Amount Approved: $2625

Step 1: 2625 divided by 2 = 1312.5000

> First truncate any positions that exist past 2 decimals as rounding occurs at the 1st and 2nd decimal places.
>
> Therefore 1312.5000 truncates to 1312.50

Step 2: Round at the 1st and 2nd decimal places to determine the individual disbursement amount.

If the 1st and 2nd decimal places are .50 or greater, increment the 1st digit to the left of the decimal sign by 1.

If the 1st and 2nd decimal places are less than .50, do not change the 1st digit to the left of the decimal sign.

Round 1312.50 to 1313. Therefore, all disbursement amounts are 1313 except the last disbursement.

Step 3: To determine the last disbursement amount, multiply the individual disbursement amount by the number of disbursements.

Multiply 1313 by 2 = 2626

Since $2626 is more than $2625, subtract the difference of $1. The last disbursement is equal to $1313–$1 or $1312.

Final Results: 1st Gross Disbursement Amount = 1313

2nd Gross Disbursement Amount = 1312

Total Loan Amount = $2625

Example 2: Determining Gross Disbursement Amount for three disbursements

Loan Amount Approved: $1000

Step 1: 1000 divided by 3 = 333.3333

First truncate any positions that exist past 2 decimals as rounding occurs at the 1st and 2nd decimal places.

Therefore 333.3333 truncates to 333.33

Step 2: Round at the 1st and 2nd decimal places to determine the individual disbursement amount.

If the 1st and 2nd decimal places are .50 or greater, increment the 1st digit to the left of the decimal sign by one.

If the 1st and 2nd decimal places are less than .50, do not change the 1st digit to the left of the decimal sign.

Round 333.33 to 333. Therefore, all disbursement amounts are 333 except the last disbursement.

Step 3: To determine the last disbursement amount, multiply the individual disbursement amount by the number of disbursements.

Multiply 333 by 3 = 999

Since $999 is less than $1000 you add the difference of $1. The last disbursement is equal to $333 + $1 or $334.

Final Results: 1st Gross Disbursement Amount = $333

2nd Gross Disbursement Amount = $333

3rd Gross Disbursement Amount = $334

Total Loan Amount = $1000

Example 3: Determining Gross Disbursement Amount for six disbursements

Loan Amount Approved: $22,167

Step 1: 22167 divided by 6 = 3694.5000

First truncate any positions that exist past 2 decimals as rounding occurs at the 1st and 2nd decimal places.

Therefore 3694.5000 truncates to 3694.50

Step 2: Round at the 1st and 2nd decimal places to determine the individual disbursement amount.

If the 1st and 2nd decimal places are .50 or greater, increment the 1st digit to the left of the decimal sign by 1.

If the 1st and 2nd decimal places are less than .50, do not change the 1st digit to the left of the decimal sign.

Round 3694.50 to 3695. Therefore, all disbursement amounts are 3695 except the last disbursement.

Step 3: To determine the last disbursement amount, multiply the individual disbursement amount by the number of disbursements.

Multiply 3695 by 6 = 22170

Since $22170 is more than $22167, subtract the difference of $3. The last disbursement is equal to $3695–$3 or $3692.

Final Results: 1st Gross Disbursement Amount = $3695
2nd Gross Disbursement Amount = $3695
3rd Gross Disbursement Amount = $3695
4th Gross Disbursement Amount = $3695
5th Gross Disbursement Amount = $3695
6th Gross Disbursement Amount = $3692
Total Loan Amount = $22,167

Net Disbursement Amount, Loan Fee Amount, and Interest Rebate Amount Calculations

Loan fee amount calculations do not change with the interest rebate implementation. However, net disbursement amount and interest rebate amount calculations are new.

When determining the Combined Fee/Interest Rebate Amount and Loan Fee Amount truncate the result. Truncation is using only the whole dollar part of the amount with no rounding up or down. The combined fee/interest is a field used to assist in the calculation of the net disbursement amount.

When calculating individual disbursement loan fee amount, interest rebate amount, and net disbursement amount, use the following specifications for all disbursements:

To calculate **Net Disbursement Amount:**

Step 1: Combined Fee/Interest Rebate Amount (go out to 3 decimal places) = Gross Disbursement Amount x (Loan Fee Percentage – Interest Rebate Percentage)

Step 2: Truncate the Combined Fee/Interest Rebate Amount

Step 3: Net Disbursement Amount = Gross Disbursement Amount – Combined Fee/Interest Rebate Amount

To calculate **Loan Fee Amount:**

Step 4: Loan Fee Amount (go out to 3 decimal places) = Gross Disbursement Amount x Loan Fee Percentage

Step 5: Truncate the Loan Fee Amount

To calculate **Interest Rebate Amount:**

Step 6: Interest Rebate Amount = Net Disbursement Amount – (Gross Disbursement Amount – Loan Fee Amount)

To calculate from **Net Disbursement Amount to Gross Disbursement Amount** use the following calculation:

Net disbursement amount multiplied by 100 divided by 100 minus (Fee% - Rebate%)

OR   Net disbursement amount divided by .985 = Gross disbursement amount (truncated)

Then proceed with Step 1 listed above.

Example 1: Determining Combined Fee/Interest Rebate Amount, Disbursement Net Amount, Loan Fee Amount, and Interest Rebate Amount for three disbursements

		Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Disb. Number	**Gross Disb. Amount**	**Combined Fee/Interest Rebate Amount**	**Truncated Combined Fee/ Interest Rebate Amount**	**Disb. Net Amount**	**Loan Fee Amount**	**TruncatedLoan Fee Amount**	**Interest Rebate Amount**
1	$1167	1167x(.03-.015)=17.505	17	1167–17=1150	1167x.03=35.01	35	1150–(1167–35)=18
2	$1167	1167x(.03-.015)=17.505	17	1167–17=1150	1167x.03=35.01	35	1150–(1167–35)=18
3	$1166	1166x(.03-.015)=17.49	17	1166–17=1149	1166x.03=34.98	34	1149–(1166–34)=17
Totals	$3500			3449		104	53

Example 2: Determining Combined Fee/Interest Rebate Amount, Disbursement Net Amount, Loan Fee Amount, and Interest Rebate Amount for twelve disbursements

Disb. Number	Gross Disb. Amount	Step 1 Combined Fee/ Interest Rebate Amount	Step 2 Truncated Combined Fee/ Interest Rebate Amount	Step 3 Disb. Net Amount	Step 4 Loan Fee Amount	Step 5 Truncated Loan Fee Amount	Step 6 Interest Rebate Amount
1	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
2	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
3	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
4	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
5	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
6	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
7	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
8	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
9	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
10	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
11	$219	219x(.03-.015)=3.285	3	219–3=216	219x.03=6.57	6	216–(219–6)=3
12	$216	216x(.03-.015) =3.24	3	216–3=213	216x.03=6.48	6	213–(216–6)=3
Totals	$2625			2589		72	36

Rounding Logic for Disbursement Amount Calculations Table

The following table provides a summary of the fields that are calculated when **subsidized/unsubsidized disbursements** are entered or changed:

Loan Fee Percentage = 3 percent and Interest Rebate Percentage = 1.5 percent.

Field Name	Description
1st Gross Disbursement Amount	Per Gross Disbursement Calculations
1st Combined Fee/Interest Rebate Amount	1st Gross Disbursement Amount multiplied by (Loan Fee Percentage minus Interest Rebate Percentage)
1st Loan Fee Amount	1st Gross Disbursement Amount multiplied by Loan Fee Percentage
1st Net Disbursement Amount	1st Gross Disbursement Amount minus 1st Combined Fee/Interest Rebate Amount
1st Interest Rebate Amount	1st Net Disbursement Amount minus (1st Gross Disbursement Amount minus 1st Fee Amount)
2nd Gross Disbursement Amount	Per Gross Disbursement Calculations
2nd Combined Fee/Interest Rebate Amount	2nd Gross Disbursement Amount multiplied by (Loan Fee Percentage minus Interest Rebate Percentage)
2nd Loan Fee Amount	2nd Gross Disbursement Amount multiplied by Loan Fee Percentage
2nd Net Disbursement Amount	2nd Gross Disbursement Amount minus 2nd Combined Fee/Interest Rebate Amount
2nd Interest Rebate Amount	2nd Net Disbursement Amount minus (2nd Gross Disbursement Amount minus 2nd Loan Fee Amount)

Rounding Logic for Disbursement Amount Calculations Table (Continued)

Optional:	
3rd through 20th Gross Disbursements:	Per Gross Disbursement Calculations
3rd through 20th Combined Fee/Interest Rebate Amount	3rd through 20th Gross Disbursement Amount multiplied by (Loan Fee Percentage minus Interest Rebate Percentage)
3rd through 20th Loan Fee Amount	3rd through 20th Gross Disbursement Amount multiplied by Loan Fee Percentage
3rd through 20th Net Disbursements	3rd through 20th Gross Disbursement Amount minus 3rd through 20th Combined Fee/Interest Rebate Amount
3rd through 20th Interest Rebate Amount	3rd through 20th Net Disbursement Amount minus (3rd through 20th Gross Disbursement Amount minus 3rd through 20th Loan Fee Amount)
Total Gross Disbursements	Sum of all gross disbursements
Total Loan Fee Amount	Sum of all loan fee amounts
Total Interest Rebate Amount	Sum of all interest rebate amounts
Total Net Disbursements	Sum of all net disbursements

Rounding Logic for Disbursement Amount Calculations Table   (Continued)

The following table provides a summary of the fields that are calculated when **PLUS disbursements** are entered or changed:

Loan Fee Percentage = 4 percent and Interest Rebate Percentage = 1.5 percent.

Field Name	Description
1st Gross Disbursement Amount	Per Gross Disbursement Calculations
1st Combined Fee/Interest Rebate Amount	1st Gross Disbursement Amount multiplied by (Loan Fee Percentage minus Interest Rebate Percentage)
1st Loan Fee Amount	1st Gross Disbursement Amount multiplied by Loan Fee Percentage
1st Net Disbursement Amount	1st Gross Disbursement Amount minus1st Combined Fee/Interest Rebate Amount
1st Interest Rebate Amount	1st Net Disbursement Amount minus (1st Gross Disbursement Amount minus 1st Loan Fee Amount)
2nd Gross Disbursement Amount	Per Gross Disbursement Calculations
2nd Combined Fee/Interest Rebate Amount	2nd Gross Disbursement Amount multiplied by (Loan Fee Percentage minus Interest Rebate Percentage)
2nd Loan Fee Amount	2nd Gross Disbursement Amount multiplied by Loan Fee Percentage
2nd Net Disbursement Amount	2nd Gross Disbursement Amount minus 2nd Combined Fee/Interest Rebate Amount
2nd Interest Rebate Amount	2nd Net Disbursement Amount minus (2nd Gross Disbursement Amount minus 2nd Loan Fee Amount)
Optional:	
3rd /4th Gross Disbursements:	Per Gross Disbursement Calculations
3rd /4th Combined Fee/Interest Rebate Amount	3rd /4th Gross Disbursement Amount multiplied by (Loan Fee Percentage minus Interest Rebate Percentage)
3rd /4th Loan Fee Amount	3rd /4th Gross Disbursement Amount multiplied by Loan Fee Percentage
3rd /4th Net Disbursements	3rd /4th Gross Disbursement Amount minus 3rd /4th Combined Fee/Interest Rebate Amount
3rd /4th Interest Rebate Amount	3rd /4th Net Disbursement Amount minus (3rd /4th Gross Disbursement Amount minus 3rd /4th Loan Fee Amount)
Total Gross Disbursements	Sum of all gross disbursements
Total Loan Fee Amount	Sum of all loan fee amounts
Total Interest Rebate Amount	Sum of all interest rebate amounts
Total Net Disbursements	Sum of all net disbursements

Leap Year Logic

EDExpress uses the following date format and leap year logic in the date fields on its databases:

- The date field format is CCYY/MM/DD.

- For (CC), the date field must contain only 19 or 20.

- For (YY), the date field must contain only 00–99.

- For month (MM), the date field must contain only 01–12.

- For day (DD), valid range depends on the month, as follows:

Month	Valid Day Range
01	01–31
02	0l–28 (unless year is divisible by 4 when 0l–29 is valid)
03	01–31
04	01–30
05	01–31
06	01–30
07	01–31
08	01–31
09	01–30
10	01–31
11	01–30
12	01–31